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Information Response: DTE-A 1-1

Response By: Office of the Attorney General

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Regarding customer notice and customer service guarantees, please describe the following:

- a) the process that would be required (1) to ensure accurate notification of planned interruptions to customers on the affected circuit, and (2) to accurately track and provide a customer credit to all affected customers of record; and
- b) any proposed new process to ensure accurate appointment notification, rescheduling appointment, and credit for service appointment service guarantee.

Response:

The Attorney General welcomes the opportunity to review the utilities' responses to this question. Existing regulatory requirements and expectations with respect to customer notification of interruptions and service appointments are vague. To ensure that utilities are implementing notification and crediting obligations in a meaningful way, the Department should require detailed descriptions of utilities' work processes relating to these matters. Once complete information is received, the Attorney General encourages the Department to allow a further opportunity for comment and to clarify its expectations of utility performance.

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Regarding standardization of service quality benchmarks, please identify those service quality measures that could be standardized on a state-wide basis. Explain.

Response:

Assuming the Department intends to continue using the current service quality benchmarks, those that would best lend themselves to state-wide standardization are the Customer Service and Billing benchmarks, *i.e.*, Telephone Answering Rate, Service Appointments Met and On-cycle Meter Readings, and Safety. The usual arguments against adopting state-wide benchmarks are that physical or demographic differences in utility service territories (e.g., urban vs. rural) and lack of data comparability make it unreasonable or impractical to expect utilities to perform to the same standards. However persuasive those concerns may be in the case of reliability standards (SAIFI and SAIDI), they should be of lesser importance with respect to telephone answering, service appointments met, on-cycle meter readings and safety. The technology available to utilities for telephone answering and meter reading is the same or similar for all utilities, regardless of their service territory characteristics. While meeting service appointments may take longer in less densely populated areas (because the utilities may have further to travel), utilities can and should anticipate this consideration in their allocation and placement of resources. The utility is also responsible for setting appointments, so should be able to account for local conditions when agreeing to meet the customer. Safety issues should not vary significantly across the state. Standardization of data for these matters should also be relatively easy to achieve, if it does not already exist. Accordingly, the Attorney General supports standardization of the Customer Service, Billing and Safety benchmarks.

Customer Division statistics present different issues. Customer Division cases and billing adjustments clearly are triggered by deficiencies in utility service quality. While utilities can attempt to minimize those cases and adjustments by improving service, they have less control over how customers react to service quality problems. Customer reactions may reflect cultural factors, which may in turn bear a relationship to where customers live (e.g., urban vs. rural locations). In addition, customers may be influenced by media coverage of utility issues, which may also differ regionally. While these considerations should not excuse any utility from aspiring to good performance on

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Customer Division Statistics, the case for state-wide benchmarks is arguably less persuasive than with respect to Customer Service and Billing benchmarks.

The Attorney General views the issue of state-wide benchmarks as a component of a larger concern, which is the importance of seeking to ensure that utilities meet reasonable customer expectations of service quality. Existing benchmarks, based on individual utilities' historical performance, were established principally to guard against degradation of existing service levels. They did not take account of whether that performance was adequate, nor did they account for the possibility of changing customer expectations. As long as regulation is to serve as a surrogate for competition, service quality regulation should seek to mimic the outcomes of competitive markets. In the competitive marketplace, consumers do not accept static performance by suppliers of services, and service suppliers who do not continuously improve are apt to lose market share to those who do. Customers of regulated utilities should not be expected to accept less from their utility service providers.

State-wide benchmarks can be useful in overcoming the shortcomings of benchmarks based on individual utilities' historical performance. If they are to be effective, however, performance levels of the top-performing utilities should become benchmarks for other utilities, just as would be expected to occur in competitive markets. Benchmarks based on average state-wide performance run the risk of rewarding mediocrity.

State-wide benchmarks can be particularly effective if they are combined with other measures to foster customer awareness and understanding of service quality issues. For example, as the Attorney General has previously advocated, a requirement that utilities send annual report cards on their service quality performance at least once a year can assist customers in setting their expectations. Customers may find it informative to know how their utility is performing in comparison with other utilities in the state. As their expectations evolve, they should be reflected in the opinions they express in response to service quality surveys. Survey results, in turn, may help inform the Department regarding the appropriateness of revising performance benchmarks.

Where serious impediments to use of state-wide benchmarks remain, e.g., due to unresolved comparability concerns, the DTE need not abandon the goal of overcoming the deficiencies in the use of benchmarks based on utility-specific historical performance. The simplest alternative is to implement gradual increases in annual performance targets. While establishing the appropriate rate of increase may require some exercise of judgment, it is arguably no more judgmental than deeming historical performance levels adequate. The DTE may also find that utilities' own internal productivity and incentive

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programs incorporate rising performance expectations, which may be useful in setting rates of increase for regulatory benchmarks.

In supporting the goal of holding utilities to reasonable performance targets, the Attorney General recognizes that utility investments in improved service quality may eventually produce diminishing returns. Utilities should be afforded the opportunity to demonstrate that they have reached that point with respect to performance in a particular aspect of service. Where state-wide benchmarks are used, the fact that a utility is a top-performer in the state in a particular aspect of service may be a reasonable basis on which to conclude that the benchmark for that utility need not be raised.

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Please refer to the existing Service Quality Guidelines, Attachment 1, at 15-16, where the electric distribution companies are required to report outage information.

a) Comment on whether the required outage information in the Service Quality Guidelines is adequate and correlates to the outage information that local electric distribution companies maintain and use for calculating service quality calculation, including system average interruption duration index ("SAIDI"), system average interruption duration index ("SAIFI"), customer average interruption frequency index, and momentary average interruption frequency;

b) If the required outage information is not considered adequate, please provide a list of additional outage information that would be necessary to correlate to the outage information used in the service quality calculation.

Response:

This is another area in which the Attorney General welcomes the opportunity to review the utilities' responses. The Attorney General has consistently urged the Department to provide meaningful opportunities to review the adequacy of the data underlying utility service quality reports, and the requirement to provide this information not only to the Department but also to the Attorney General would be an important step in that direction. The Attorney General also encourages the Department to elaborate on how this information will be used. An NRRI Paper authored by two Department Officials in 2002 indicated that the Department had plans to monitor this kind of information in real-time.¹ If that monitoring is continuing, it would be helpful to the Attorney General's discharge of its responsibilities if it were permitted to share in the access to that information.

¹ LeComte, Ron and Ghebre Daniel, "Electric Service Quality and the Internet: Improved Outage Reporting in Real-Time."

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Regarding the proposed IEEE Standard 1366-2003, please explain:

- a) its level of conformance to the level of minimum performance required under the existing Service Quality Guidelines, i.e., performance level should not be below those levels that existed in 1997 or the existing SAIDI and SAIFI benchmarks;
- b) whether this proposed IEEE standard meets the statutory requirement of minimum performance measurements; and
- c) whether this standard provides an incentive for local electric distribution companies to avoid minimizing interruption durations once the threshold hits a low point and window for the excludable events increase.

Response:

a) Adoption of the IEEE Standard should not alter the level of minimum performance required under the existing guidelines. The issue sought to be addressed in the IEEE Standard is how to prevent reliability statistics from being distorted by abnormal events that are beyond the design or operational limits of the utility. By properly recognizing and removing these events from the calculation of a utility's performance, the Standard seeks to determine whether variations in levels of performance over time are likely due to management action rather than random events. So long as the Standard is applied consistently in comparing current performance to historical performance, adoption of the standard should not alter the performance level to which a utility has been held under existing benchmarks.

It should be noted that the IEEE Standard is not intended to insulate utilities from accountability for their handling of abnormal events. As a recent paper discussing the Standard points out², how such events are handled is a legitimate area of focus by management and regulators. What the Standard itself is designed to do is separate that analysis from the analysis intended to be captured by reliability indices such as SAIDI and SAIFI.

² Warren, Cheryl D. et al., "Classification of Major Event Days," IEEE Paper.

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b) Nothing in the Proposed IEEE Standard should make its adoption inconsistent with the statutory requirement of minimum performance standards. The applicable statute, Ch. 164, Sec. 1E(a), merely states (in pertinent part) that

the department shall establish service quality standards [for] each distribution, transmission, and gas company, including, but not limited to, standards for customer satisfaction service outages, distribution facility upgrades, repairs and maintenance, telephone service, billing service, and public safety provided, however, that such service quality standards shall include benchmarks for employee staff levels and employee training programs for each such distribution, transmission, and gas company.

What the DTE should establish as reasonable performance targets, i.e., what benchmarks should be set, is a separate question. *See* Response to DTE A 1-2 above. The Proposed IEEE Standard itself is essentially a methodology for setting benchmarks in a consistent manner.

c) The Attorney General believes that the concern implicit in this question is valid. Because the classification of a major event turns on the duration of an outage, an electric distribution utility could have an incentive at the margin to allow an outage to continue, in order to have it excluded from the reported reliability index. Rather than making this a basis to reject use of the Standard, an alternative is for the Department to carefully scrutinize events reported by the utility as abnormal. This is consistent with the position taken by National Grid Company's Vice President of Engineering in a 2002 IEEE Paper:

If a company tried to game the process, the detailed review of the abnormal events; questioning the adequacy of the staffing, the inventory levels, the use of mutual aid from other utilities, the shifting of resources between operating areas, etc., would ferret out this behavior.³

³ Bouford, James D., "The Need to Segment Abnormal Events from the Calculation of Reliability Indices", IEEE Paper (2002), p. 3.

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As noted above, the Attorney General has previously advocated that utilities' reported service quality performance be subject to thorough regulatory review, including hearings in which the Attorney General and other parties could conduct discovery. The Attorney General continues to have this concern, and believes that the above acknowledgement of gaming opportunities in the context of reliability standards confirms the importance of regulatory review procedures.